

Standard STANLIB Yield Plus Fund

Quarterly update at 31 March 2024

Market overview

The benchmark STeFI Composite Index produced a 2.1% return and was one of the only positive local markets for the quarter. While rather unspectacular, the short-dated fixed interest market provides investors with relative certainty compared to the increased volatility experienced in the longer-dated bond market. The local bond market came under severe pressure as global markets readjusted their interest rate expectations back to an environment of “higher for longer”, very reminiscent of the Table Mountain analogy we coined in early 2023. Commentators more recently have referred to this as the “no landing” scenario - one where US growth and employment data continue to impress, thereby shifting out the first interest rate cut indefinitely. Such a market environment is not good for emerging market interest rate sensitive assets like SA bonds, which dropped 1.8% for the quarter. Local election jitters also contributed to this disappointing outcome with the prospect of a national coalition rising. Having said that, the money market was stable, producing positive returns across the board, with the STeFI Overnight call up 2.0% and the STeFI 12-month index up 2.2%. Local inflation registered 5.3% in March, down from 5.6% in February and, pleasingly, food inflation dropped from above 6% to 4.9% over the same period (and down from its 14.4% high in March 2023). The South African Reserve Bank (SARB) kept its official policy rate unchanged at 8.25% during the quarter, a level that has remained the same for the last 12 months but is sharply higher than its Covid-induced low of 3.5% in October 2021. In keeping the policy rate unchanged, the SARB argued that while inflation is within the 3% to 6% band, the target inflation rate should be 4.5% - the mid-point of the band. The rand depreciated by 5.1% relative to the dollar – typical of a risk-off environment, but it felt a bit worse – while 3-month JIBAR was steady at 8.35%.

Asset class performance (%)

Asset class	Q1 2024	1 year	3 years p.a.	5 years p.a.
Equity - FTSE/JSE All Share	-2.25	1.55	8.10	9.67
Financials	-7.55	11.82	15.02	5.11
Resources	-1.63	-8.98	1.64	10.49
Industrials	0.64	3.30	8.15	10.15
Equity - FTSE/JSE Capped SWIX	-2.30	2.87	7.48	7.64
Bonds - FTSE/JSE All Bond	-1.80	4.19	7.40	7.04
Cash - STeFI Composite	2.06	8.39	6.08	6.00
ILBs - FTSE/JSE Infl-LnkD Gov	-0.45	5.51	7.03	6.33
Property - FTSE/JSE All Property	3.47	20.33	12.95	-0.24
Global Bonds - BB GABI in ZAR	1.59	7.37	3.50	4.38
Global Equity - MSCI ACWI in ZAR	12.26	31.65	16.19	17.12
Inflation - SA CPI (1 month lag)	1.06	5.56	6.08	5.14

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 March 2024.

Portfolio review

The Fund produced a net return of 1.9% for the quarter, somewhat down on the 2.9% delivered in Q4 2023 when bond market was much stronger, but at least it was a positive outcome and better than “cash-in-the-bank” returns (+1.8%). Over the last 12 months, the Fund has delivered a net return of 9.1%, 0.6% ahead of the STeFI Composite benchmark and marginally ahead of the average of the peers in the ASISA IB Short Term Fixed Interest category.

The relative performance of the underlying managers was mixed, as we would expect given the way we have constructed the blend of managers. The lowest risk strategies, managers or mandates produced the highest returns and outperformed the benchmark during the quarter, while the mandates with more flexibility and budget to take on risk underperformed (but still produced positive returns for the quarter). Prescient was the best performing manager with its steady low risk approach favouring the safety of many short-duration, high-yielding money market instruments like NCDs and FRNs. Diversification also plays a role in their strategy - they held 89 different instruments in their portfolio. The STANLIB Money Market Fund holds fewer but has much lower instrument duration on average and hence is constantly replacing maturing instruments with other instruments with equally high yields. This strategy also produced benchmark-beating returns. The STANLIB Income Fund performed in line with the benchmark while both Aluwani and Granate underperformed. This was to be expected given the higher risk budget we have given them, and the underperformance of longer duration instruments in the quarter as witnessed by the -1.8% return of the bond market.

Portfolio positioning and outlook

At the end of the year, the Fund had a 3.5% exposure to global instruments hedge back into rands – up from 3.4% at the start of the year. Exposure to inflation linked bonds has remained constant at around 3.8% and the maturity of these instruments is typically very short. The Fund’s modified duration has reduced from 0.7 years to 0.6 years as we saw defensive counter measures from both Aluwani and Granate during the quarter. The value of assets in the Fund increased from R4.13bn at the start of the year to R4.25bn by the end of the quarter and held around 270 different instruments in its portfolio, with the R2030 being the largest single exposure at 4.3%. The Fund offers investors an estimated gross effective annual yield of 10.0% or around 9.3% on a net of fees basis.

During the quarter, the market repriced its expectations for the number of interest rate cuts by the US Federal Reserve in 2024 from six at the start of the year to just one, maybe two currently. This means that the market is now expecting the start of interest rate cuts to be delayed and, therefore, remain higher for longer – an approach the SARB is also likely to follow. Effectively, this means investors in the Fund will enjoy higher for longer returns as the yield on most of the instruments within the Fund are based off the level of the official policy rate. Higher returns can be enjoyed in parts of the market as interest rates are being cut (bond returns go up when yields come down) and some of our managers are positioning themselves for this eventuality. Looking forward, we feel the Fund is well placed to capture these opportunities and recycle into others as the market environment changes with the goal of producing “cash-in-the-bank” beating returns over time.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	101.19	2,392,343,950.00	2,420,897,085.00

All data as at Reporting Date - 31 March 2024.

Units - amount of participatory interests (units) in issue in relevant class of class fund.

Allocation/sector (look through) (%) over the quarter

Sector	Q1 2024	Q4 2023	Change
0-1 Years	27.10	27.83	-0.73
1-3 Years	34.61	38.22	-3.61
3-7 Years	28.71	27.39	1.32
7-12 Years	4.49	5.00	-0.51
Inflation Linked Bonds	5.03	0.80	4.24
Over 12 Years	0.06	0.77	-0.71

The portfolio adhered to its portfolio objective over the quarter.

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Important information for investors

Information to be considered before investing

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The Standard STANLIB Yield Plus Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme). The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager. The trustee of the Scheme is Standard Chartered Bank. The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 719, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002. This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily. This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Standard Trust Limited, an authorised FSP, FSP No. 705, FAIS, is the third party manager of this portfolio. The FSP is a wholly owned subsidiary of the Standard Bank Group Limited and is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

Unit price – how it works

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com) and in South African printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00. The payment of withdrawals may be delayed in extraordinary circumstances, when the Manager with the consent of the Fund trustees deems this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued but, will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manager to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

Cost ratios and fees

Cost ratios	1 Year TER	1 Year TC ¹	1 Year TIC	3 Years TER	3 Years TC ¹	3 Years TIC
Class B1	0.70%	0.00%	0.70%	0.70%	0.00%	0.70%

The cost ratios shown have been calculated for the period ending 31/12/2023, from 01/01/2023 for the 1 Year and from 01/01/2021 for the 3 Years.

¹Transaction Costs include brokerage, Securities Transfer Tax, STRATE, Levies and VAT.

Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Annual management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. "Underlying Fund Fees", which are included in the Total Expense Ratio (TER). The annual management fee is accrued daily and paid on a monthly basis.

Performance fees

Neither the Manager, STANLIB Multi-Manager nor underlying manager(s)/fund(s) charge/earn any performance fees.

Advice fees

If an investor appoints an adviser, advice fees are contracted directly between the investor and the adviser. The Manager will facilitate the collection of advice fees only upon receiving an investors instruction to do so. Initial advice fees up to a maximum of 3.45% are collected prior to units being purchased and ongoing advice fees up to a maximum of 1.15% are collected monthly through the redemption of units held by an investor in the Fund. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

Additional information

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website (www.stanlib.com).

This document does not constitute an offer of sale. Investors are requested to view the latest Minimum Disclosure Document (MDD), for the provision of additional information pertaining to the product, as well as seeking professional advice, should they be considering an investment in the product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue.

Contact information

Manager: STANLIB Collective Investments (RF) (Pty) Limited. Reg. No. 1969/003468/07. 17 Melrose Boulevard, Melrose Arch, 2196. T: 0860 123 003 W: www.stanlib.com

Trustee: Standard Chartered Bank. Reg. No. 2003/020177/10. 2nd Floor, 115 West Street, Sandton, 2196. T: +27 (0)11 217 6600

Third party manager: Standard Trust Limited. Reg. No. 1880/000010/06. T: +27 (0)11 283 1100

Investment manager: STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd. Reg. No. 1969/002753/07. T: +27 (0)11 448 6000 W: www.stanlibmultimanager.com